



# HOUSE BILL 754: Lease Purchase of Real Property/Comm. Coll

2013-2014 General Assembly

**Committee:** Senate Finance  
**Introduced by:** Reps. Johnson, Starnes  
**Analysis of:** Second Edition

**Date:** June 24, 2013  
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Committee Counsel

**SUMMARY:** *House Bill 754 would authorize community colleges to acquire real property by lease purchase. The bill is identical to Section 10.11 of SB 402 (the Appropriations Act of 2013) as passed by the Senate. SB 402, as passed by the House, did not contain a similar provision.*

*The effective date of the bill needs to be amended.*

**CURRENT LAW:** Boards of trustees of community colleges may use lease purchase or installment purchase contracts to buy or finance the purchase of equipment using either State funds or local funds. For a contract that is (i) is for more than \$100,000 or is for term of more than three years and (ii) is to be paid with from **State** funds, the contract must be approved by resolution of the State Board of Community Colleges (SBCC).

For a contract that (i) is for more than \$100,000 or is for term of more than three years and (ii) is to be paid with from **local** funds, the contract must be approved by resolution of the tax-levying authority. The tax-levying authority must acknowledge in writing that an appropriation may be required to meet the obligations of the contract.

The Local Government Commission must also approve a contract that must be approved by a tax-levying authority if the contract: (i) extends for five or more years from the date of the contract; (ii) obligates the board of trustees to pay money to another, regardless of whether the payee is a party to the contract; and (iii) obligates the board of trustees to pay \$500,000 or more over the full term of the contract.

Deficiency judgments cannot be rendered against any board of trustees, any tax-levying authority, the SBCC or the State of North Carolina in any action for a breach of a lease purchase or installment purchase contract. The taxing power of a tax-levying authority and the State is not and may not be pledged directly or indirectly to secure any funds due under a lease purchase or installment purchase contract.

**BILL ANALYSIS:** HB 754 would authorize the board of trustees of a community college to use local funds for lease purchase or installment purchase contracts to buy real property. All other aspects of the current law would remain in place, including the requirement for a resolution from the tax-levying authority for contracts using local funds that are more than \$100,000 or for more than 3 years, and approval by the Local Government Commission if the criteria set out above are met.

**EFFECTIVE DATE:** The bill would become effective July 1, 2013.

*\*This summary was substantially contributed to by Drupti Chauhan and Kara McGraw, Committee Counsel.*

